LEAN GOVERNMENT
What Leaders Need to Do
to Lead From the Front

Creating Your Agency Game Plan

LESSONS IN LEADERSHIP SERIES

March 20, 2013
“Today we begin a multi-year effort to bring disruptive change to Olympia, starting with the very core of how we do business.”
CREATING AN ENDURING CULTURAL SHIFT

EFFECTIVE  EFFICIENT  ACCOUNTABLE
LEAN GOVERNMENT

WHAT
Leaders Leading the Way
Results- and Data- Driven Operations

HOW
Customer-Focused Service
Clear Accountability & Responsibility
Employee Engagement
Continuous Improvement

WHY
Improved Citizen Outcomes

MassIngenuity®
PRESENTING
Marcie Frost
DIRECTOR, DEPARTMENT OF RETIREMENT SYSTEMS

• 20-years public leadership, & planning & operations
• A career noted for a focus on outcomes, strategy and alignment
• Three years into major customer-focused/team engagement transformation at DRS
John M. Bernard  
CHAIRMAN & FOUNDER, MASS INGENUITY  

- Participated on the first U.S. team to implement Lean in 1981  
- Translated Lean concepts into plain English and applied them to the service sector and government agencies  
- Architect of the **Now Management System®**, a systemic solution to create a Lean culture and to optimize Lean
“Today we begin a multi-year effort to bring disruptive change to Olympia, starting with the very core of how we do business.”
Today: Leave With a Plan

1. Leading the Way
2. Focus on Outcomes
3. Results- and Data-Driven Operations
4. Customer-Focused Service
5. Clear Accountability
6. Employee Engagement
7. Continuous Improvement
**THEN**

- DRIVER: Managerial Hierarchy
- ORGANIZATION: Functional
- DECISIONS: Centralized
- IMPROVEMENT: Big Ideas
- USE OF DATA: Management
- PROBLEM SOLVING: Ad Hoc, Intuitive
- SPEED: Slow

**NOW**

- DRIVER: Customer Need
- ORGANIZATION: Process Centric
- DECISIONS: Decentralized
- IMPROVEMENT: Micro-Improvements
- USE OF DATA: Everyone
- PROBLEM SOLVING: Standardized, Fact Based
- SPEED: Fast

**TRADITIONAL MANAGEMENT THINKING**

**LEAN MANAGEMENT THINKING**
Customers
Meet or Exceed Customer Expectations

Processes
Align Core Processes to Key Goals and Outcomes
Lean/Six Sigma

People
Right People
Working on the Right Things

Leaders
Supportive and Engaged

DRS
WASHINGTON STATE
Department of Retirement Systems
“In the weeks to come, I will be taking action to transition to a results- and data-driven government, with continuous quality improvement, engagement and clear accountability.”
The Washington Game Plan

EFFECTIVE    EFFICIENT    ACCOUNTABLE
LEAN GOVERNMENT

1. Leaders Leading the Way
2. Improved Citizen Outcomes
3. Results- and Data- Driven Operations
4. Customer-Focused Service
5. Clear Accountability & Responsibility
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CREATING AN ENDURING CULTURAL SHIFT

WHAT    WHY    HOW

EFFECTIVE    EFFICIENT    ACCOUNTABLE
Origins of the Journey

Dr. W. Edwards Deming

General MacArthur

JUSE Lectures

Deming Prize

1947 1950 1951

1965

1981 1987 1989

Toyota Wins Deming Prize

TOYOTA: Taicchi Ohno, Shigeo Shingo & Eiji Toyoda

“Lean” term coined

Dr. W. Edwards Deming

Toyota Wins Deming Prize

TOYOTA: Taicchi Ohno, Shigeo Shingo & Eiji Toyoda
Organizing Principles

Focus on Customer
- Every process has a customer
- Customers define what value is
- We work to serve customers not satisfy bosses
- Facts reveal truth about how effectively we are meeting customer needs
- Determine Value
- Continuous customer feedback drives continuous process improvement
- People will engage if they feel safe making decisions

Respect for People
- People are our most valuable asset
- People who do the work know it best
- People want to be a part of something bigger than themselves
- People want to do good work
- People need to have the skills to do their work well and to improve it
- Create Value
- Facts reveal truth about how effectively we are meeting customer needs
- Continuous customer feedback drives continuous process improvement
Big “L” Lean

1. Lead from the front
2. Focus on serving the customer
3. Respect the gifts of people
4. Drive out all forms of fear
5. Use measures to find improvement opportunities
6. Engage everyone in achieving outcomes
7. Break down barriers to pride and collaboration
8. Think processes; make improvement a constant
9. Eliminate waste at its root cause
10. Focus on the long-term
<table>
<thead>
<tr>
<th>Benefits</th>
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<tbody>
<tr>
<td>Reduces overtime</td>
<td>Improved on-time report issuance</td>
</tr>
<tr>
<td>Reduces time/cost to process background checks</td>
<td>Reduction in hiring cycle</td>
</tr>
<tr>
<td>Reduces time-to-lease office space</td>
<td>Streamlined regulatory compliance</td>
</tr>
<tr>
<td>Reduces inmate assaults</td>
<td>Reduced cycle time to close the monthly books</td>
</tr>
<tr>
<td>Improves on-time permit issuance</td>
<td>Reduced time to process payroll</td>
</tr>
<tr>
<td>Permit streamlining</td>
<td>Reduced medication errors</td>
</tr>
<tr>
<td>Reduces uncollected revenue</td>
<td>Reduced cost-per-vehicle mile</td>
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</tbody>
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EXERCISE #1

1. Review slides 15, 16, & 17:
   Central Themes of Lean, Big “L” Lean and Small “l” lean

2. With 2-3 people around you, answer the question: Take 2-3 minutes
   What are the implications of these principles to the agency leader team?

3. Have someone prepared to share your conclusions (we will call on a few teams)
LEAN MANAGEMENT

“It’s about instituting a cultural shift that will endure well beyond my administration.”
Today: Leave With a Plan

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1. Lead the learning
2. Assess your management waste
3. Get the right leaders on the bus and in the right seats
4. Prepare the culture
Lead the Learning

• Host book study teams

• Lead study visits
  – DRS, Oregon Agencies, Boeing, Virginia Mason
Shingo Model
Remove Management Waste

7 Deadly Sins of Management

1. Unclear Direction
2. No Line-of-Sight
3. Unclear Accountability
4. Inconsistent Language
5. Poor Issue Transparency
6. Inappropriate Resources
7. Inadequate Tools/Skills
Prepare the Culture

An organization’s culture...

...is reflective of the behaviors of its leaders
Right People, Right Seats
Your Game Plan

1. Leading the Way
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THE PLAYBOOK

2. Focus on Outcomes

1. Understand the Governor’s Priorities
2. Align your agency’s outcomes
   - Translate goals to outcome measures
   - Establish scorecards for each measure
WORKING WASHINGTON
- Results Washingtonians Value -

JAY INSLEE

Strategic Direction and Alignment

Governor Priority Areas
- Vision, Mission, Values, Goals, Outcome Measures, and Owners -

- Economic Advancement
- Education
- Government Operations
- Energy and Climate
- Health Care and Human Services

JOBS
Align Your Agency Outcomes

• Understand the Governor’s Strategic Direction
• Define Agency Core-Mission Measures
  – This is the foundation of ownership
• Study Governor Inslee’s inaugural address
  understand his thinking
• Clarity will continue to emerge
Align Agency Outcomes

5-6 Enduring Goals

Governor’s Priorities

OUTCOME MEASURE

OUTCOME MEASURE

Agency Core-Mission Outcomes

OUTCOME MEASURE

OUTCOME MEASURE

OUTCOME MEASURE

OUTCOME MEASURE

See pages 90-93 for definitions:
Your Game Plan

1. Leading the Way
2. Focus on Outcomes
3. Results- and Data-Driven Operations
4. Customer-Focused Service
5. Clear Accountability
6. Employee Engagement
7. Continuous Improvement
3. Results- and Data-Driven Operations

1. Create clarity about how your agency works

2. Understand the core work you must be good at in order to achieve your outcomes
   - Map your Fundamentals
   - Understand your core processes
   - Establish measures to gauge effectiveness
Eliminate Fear

ORDER
People understand and respect the way the organization functions

FREEDOM
People know how to seize opportunities and solve problems
Benefits of a Fundamentals Map

• Shared understanding of how the agency creates value (a common language)
• Clear ownership for results
• Visibility as to what is working and what is not
• Foundation for connecting every employee to the part they play
EXERCISE #2

1. Review the handout:

   *DRS Fundamentals Map*

2. Review the DRS Fundamentals Map. With 2-3 people around you, take 5 minutes to answer the question:

   *If we had a map like this, how could we use it to help us achieve our agency outcomes?*

3. Have someone prepared to share your conclusions (we will only call on a few teams)
Your Game Plan

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4. Customer-Focused Service

1. For each core process, identify your primary customers
2. Ask them what they need from you
3. Establish measures that indicate success in meeting their needs
4. Work to continuously improve results
# Identify Core Process Customers

## CORE PROCESS WORKSHEET

<table>
<thead>
<tr>
<th>No.</th>
<th>SUB PROCESS [Tier 1]</th>
<th>Name (1)</th>
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<tbody>
<tr>
<td>0-3</td>
<td>Issuing permits</td>
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<table>
<thead>
<tr>
<th>OWNER</th>
<th>DEPARTMENT/DIVISION</th>
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<tbody>
<tr>
<td>Kathy Dindia</td>
<td>Air Quality</td>
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</table>

<table>
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<th>No.</th>
<th>SUB PROCESSES [Tier 2]</th>
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<tr>
<td>3.1</td>
<td>Scheduling inspections</td>
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</tr>
<tr>
<td>3.2</td>
<td>Preparing inspection checklist</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Conducting inspection</td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>Writing up improvement suggestions</td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>Mitigating problems/resolving open issues</td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>Completing permit paperwork</td>
<td></td>
</tr>
<tr>
<td>3.7</td>
<td>Issuing permits</td>
<td></td>
</tr>
<tr>
<td>3.8</td>
<td>Scheduling next inspection</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer</th>
<th>Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers</td>
<td>Clear expectations, ease of scheduling, technical support to resolve issues</td>
</tr>
<tr>
<td>Surrounding community</td>
<td>Understand actions, know their voice is heard</td>
</tr>
</tbody>
</table>

**CUSTOMER NEEDS**
Customer-Driven End State

We understand who our customers are

We know every process has a customer

We know what our customers value

We measure effectiveness in meeting customer needs

Customer feedback drives our improvement focus

We focus on satisfying customers, not bosses

We find satisfaction in being of service
EXERCISE #3

1. Identify your agency’s primary customers
2. With 2-3 people around you, for 4-5 minutes, answer the question:
   
   *What are five things you as leaders can do to accelerate your journey to the Customer-Driven end state?*

3. Have someone prepared to share your conclusions (we will only call on a few teams)
Your Game Plan

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7. Continuous Improvement
5. Clear Accountability & Responsibility

1. Assign ownership
   - For outcome measures
   - For process measures

2. Establish Quarterly Target Reviews
   - Accountability for improvement
   - Triggers for action (red/yellow/green)
   - Safety = True Transparency
Quarterly Target Reviews

SAFE = TRANSPARENT
Your Game Plan

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THE PLAYBOOK

6. Employee Engagement

1. Understand the impact on results of engagement
2. Assess where we are today with the engagement
3. Determine what is required by leadership to move to the ideal state
Our Alienated Workforce

- **ACTIVELY ENGAGED**: 18%
- **DISENGAGED**: 33%
- **NOT ENGAGED**: 49%

SOURCE: Gallup Consulting

Failing Miserably
Engagement = Results

Difference Between Top and Bottom Quartile Performance

-37%  ABSENTEEISM
-49%  TURNOVER (low turnover org.)
-25%  TURNOVER (high turnover org.)
-49%  SAFETY INCIDENCES
-60%  QUALITY (Defects)

SOURCE: Gallup Consulting

+12%  CUSTOMER RATINGS
+18%  PRODUCTIVITY
Engagement End State

I understand where my organization is going

I see how my work fits into our goals

I understand what processes I am accountable for

I have the skills/resources to do my work effectively

I always know how well my processes are working

I am skilled at solving the problems I encounter

I feel completely safe to take action to improve things
EXERCISE #4

1. Open *Business at the Speed of Now* to pages 51 & 52
   Review the 9 rules of THEN and the 11 rules of NOW

2. With 2-3 people around you, answer the question: Take 3-4 minutes
   *What will it take to achieve NOW vs. THEN engagement?*

3. Have someone prepared to share your conclusions (we will only call on a few teams)
Your Game Plan

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7. Continuous Improvement

1. Estimate the waste costs in your organization
2. Understand the critical nature of a common problem solving/process improvement methodology
3. Select a problem solving/process improvement methodology
4. Rollout the methodology to every employee
Process Waste

% of Operating Costs That Add No Value

- **GOVERNMENT**: 40-50%
- **SERVICE SECTOR**: 30-40%
- **MANUFACTURING**: 25-30%
Uncovering Resources

We can spend more time on the work that delivers NEW VALUE to our Customers

ON THE BUSINESS

If we can reduce the time we need to spend on the ROUTINE work of the business

IN THE BUSINESS
Common Language/Common Toolset
Your Game Plan

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The 10 Factors

That Transmit and Embed Culture

1. Formal statements of organizational philosophy
2. Design for physical spaces
3. Deliberate role modeling, teaching, and coaching by leaders
4. Explicit reward and status system, and promotion criteria
5. Stories, legends, myths and parables about key people and events
6. What leaders pay attention to, measure, and control
7. Leader reactions to critical incidents or organizational crisis
8. Organization design and structure
9. Organizational systems and procedures
10. Criteria used for recruitment, selection, and promotion

CREATING AN ENDURING CULTURAL SHIFT

Dr. Edgar Schein, MIT
Hero’s Journey

Everyday World

Call to Adventure

Refusal of The Call

Road of Trials

ABYSS

Supreme Ordeal

Meeting The Mentor

Crossing the First Threshold

Crossing The Return Threshold

Refusal To Return

The Boon

Master of Two Worlds

SIMPLICITY

COMPLEXITY

SIMPLICITY
We Serve